

## Message Text

LIMITED OFFICIAL USE

PAGE 01 LAGOS 12050 202156Z  
ACTION AF-10

INFO OCT-01 ISO-00 SP-02 USIA-06 AID-05 EB-08 NSC-05  
TRSE-00 SS-15 STR-05 OMB-01 CEA-01 CIAE-00  
COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03  
LAB-04 SIL-01 IGA-02 L-03 H-01 PA-01 PRS-01 /087 W  
-----031616 211531Z /42  
R 201130Z OCT 77  
FM AMEMBASSY LAGOS  
TO SECSTATE WASHDC 4388

LIMITED OFFICIAL USE LAGOS 12050

E.O. 11652: N/A  
TAGS: EGEN, EFIN, EINV, ETRD, NI  
SUBJECT: FOREIGN EXCHANGE SCANDAL

1. DURING COURSE OTHER BUSINESS, EMBOFF DISCUSSED BRIEFLY SCANDAL WITH CENTRAL BANKS DIRECTOR OF BANKING OPERATIONS OTITI. IN RESPONSE TO QUESTIONS, OTITI DEBUNKED MEDIA ACCOUNTS THAT AT LEAST NAIRA 1 BILLION (DOLLARS 1.53 BILLION) HAD BEEN LOST THROUGH ILLEGAL FOREIGN EXCHANGE DEALINGS, SAYING THAT FIGURE WAS FICTITIOUS. ALTHOUGH HE ADMITTED THAT HE DID NOT YET KNOW EXACT AMOUNT LOSSES, OTITI INFERRED THAT ACTUAL LOSSES WERE WELL UNDER NAIRA 1 BILLION.

2. EMBOFF ASKED IF CENTRAL BANK WOULD HOLD ANY PRIVATE BANKS LIABLE FOR EXCHANGE LOSSES CAUSED BY PRIVATE BANK APPROVAL OF FRAUDULENT DOCUMENTS. NOTE - MANY INDIGENOUS BANKS HEAVILY INVOLVED IN SCANDAL OWE LARGE SUMS TO U.S. BANKS THROUGH NORMAL CORRESPONDENT CHANNELS. IF LOCAL BANKS HELD LIABLE FOR EXCHANGE LOSSES, UNDOUBTEDLY MOST WOULD GO UNDER AND FORFEIT DEBTS. U.S. BANKS, E.G., CHASE AND FIRST NATIONAL BANK OF CHICAGO, OBVIOUSLY CONCERNED. END NOTE.

OTITI SAID POWER TO DETERMINE LIABILITY RESTED SOLELY WITH EXCHANGETRIBUNAL. HOWEVER, HE WAS CERTAIN THAT BANKS AS LEGAL ENTITIES WOULD BE HELD RESPONSIBLE ONLY IF PROSECUTION COULD

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 LAGOS 12050 202156Z

PROVE THAT FRAUD WAS DELIBERATE BANK POLICY, I.E., BURDEN OF PROOF LAY SQUARELY ON TRIBUNAL, NOT ON BANKS. OTITI COMMENTED THAT IT WAS HIGHLY UNLIKELY THAT A BANK'S BOARD OF DIRECTORS WOULD DO SUCH A THING, IF FOR NO OTHER REASON THAN SECRETS CANNOT BE KEPT IN NIGERIA WHEN KNOWN BY MORE THAN ONE PERSON.

3. COMMENT: EMBOFF LEARNED THAT ANYONE HAVING ANY BUSINESS WITH

BANKING OPERATIONS BRANCH HAD TO SEE DIRECTOR OTITI FIRST.  
POLICY OF TIGHTLY CONTROLLED ACCESS IN EFFECT SINCE SCANDAL BROKE IN  
SUMMER AND HELPS EXPLAIN TARDINESS AND GROSS INEFFICIENCY OF  
CENTRAL BANK OPERATIONS.

4. RELATED SUBJECT: WAVE OF ARRESTS, RESIGNATIONS AND DISMISSALS  
THAT HAS DECIMATED CENTRAL BANK PERSONNEL AND HAS NEARLY PARALYZED  
ITS OPERATIONS BEING REPAATED IN SEVERAL INDIGENOUS BANKS. FOR  
EXAMPLE, ALL OFFICERS IN LAGOS OFFICES OF AFRICAN CONTINENTAL  
BANK EXCEPT MANAGING DIRECTOR HAVE PERMANENTLY LEFT BANK IN PAST  
THREE MONTHS. FACED WITH INCREASINGLY UNSTABLE BANKING CONDITIONS,  
U.S. BANKS CONSIDERING CUTTING BACK ON CORRESPONDENT RELATION-  
SHIPS WITH SEVERAL LOCAL BANKS WHICH WILL TEND TO DEPRESS GROWTH  
PRIVATE FOREIGN EXCHANGE CREDITS NEEDED FOR TRADE EXPANSION.  
WYMAN

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN EXCHANGE  
**Control Number:** n/a  
**Copy:** SINGLE  
**Sent Date:** 20-Oct-1977 12:00:00 am  
**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977LAGOS12050  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
**Film Number:** D770387-1067  
**Format:** TEL  
**From:** LAGOS  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1977/newtext/t19771039/aaaabgtt.tel  
**Line Count:** 77  
**Litigation Code IDs:**  
**Litigation Codes:**  
**Litigation History:**  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Message ID:** bf0a832b-c288-dd11-92da-001cc4696bcc  
**Office:** ACTION AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Retention:** 0  
**Review Action:** RELEASED, APPROVED  
**Review Content Flags:**  
**Review Date:** 09-Feb-2005 12:00:00 am  
**Review Event:**  
**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**SAS ID:** 847385  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** FOREIGN EXCHANGE SCANDAL  
**TAGS:** EGEN, EFIN, EINV, ETRD, NI  
**To:** STATE  
**Type:** TE  
**vdkgvwkey:** odbc://SAS/SAS.dbo.SAS\_Docs/bf0a832b-c288-dd11-92da-001cc4696bcc  
**Review Markings:**  
Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
22 May 2009  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009